



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE UNIVERSITY

FINANCIAL AUDIT

For the One Year Ended June 30, 2013

Release Date: November 14, 2013

Summary of Findings:

Total this audit: 1

Total last audit: 1

Repeated from last audit: 0

INTRODUCTION

This digest covers the Illinois State University's Financial Audit as of and for the year ended June 30, 2013. The Illinois State University's Compliance Examination (including the Single Audit) covering the year ended June 30, 2013 will be issued at a later date.

SYNOPSIS

- The Illinois State University did not exercise adequate internal control over the financial reporting of investments.

{Expenditures and Activity Measures are summarized on the reverse page.}

**ILLINOIS STATE UNIVERSITY
FINANCIAL AUDIT
For The Year Ended June 30, 2013**

STATEMENT OF NET POSITION (in thousands)	2013	2012
Assets		
Cash and cash equivalents.....	\$ 47,874	\$ 31,613
Restricted cash and cash equivalents.....	13,726	4,761
Investments.....	136,133	156,239
Receivables.....	45,217	46,119
Capital assets, net.....	456,844	439,664
Other.....	7,835	9,111
Total.....	<u>707,629</u>	<u>687,507</u>
Liabilities		
Accounts payable and accrued liabilities.....	23,350	23,250
Deferred revenues.....	7,155	7,861
Assets held in custody for others and deposits.....	6,978	3,628
Current portion of long-term liabilities.....	6,604	10,078
Long-term liabilities.....	144,466	157,723
Total.....	<u>188,553</u>	<u>202,540</u>
Net Position		
Invested in capital assets, net of related debt.....	337,673	295,964
Restricted.....	9,523	9,481
Unrestricted.....	171,880	179,522
Total.....	<u>\$ 519,076</u>	<u>\$ 484,967</u>
REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in thousands)		
	2013	2012
Revenues		
Tuition and fees, net.....	\$ 189,118	\$ 180,763
State appropriations.....	75,141	78,947
Auxiliary enterprises.....	81,205	85,908
Payments on behalf of the University - State.....	130,781	100,385
Federal, State, and private grants and gifts.....	29,476	26,276
Laboratory Schools.....	8,582	8,865
Other.....	49,576	50,619
Total.....	<u>563,879</u>	<u>531,763</u>
Expenses		
Instruction.....	116,827	116,825
Research.....	14,516	14,624
Public Service.....	14,695	14,318
Academic support.....	15,151	15,066
Student services.....	38,377	37,093
Institutional support.....	37,207	34,841
Auxiliary enterprises.....	53,263	60,476
Student aid.....	42,341	38,003
Payments on behalf of the University.....	130,781	100,385
Operation and maintenance of plant.....	33,550	33,948
Depreciation.....	23,248	22,183
Other.....	9,814	11,420
Total.....	<u>529,770</u>	<u>499,182</u>
Change in net assets.....	<u>\$ 34,109</u>	<u>\$ 32,581</u>
UNIVERSITY PRESIDENT		
During Audit Period: Dr. C. Alvin Bowman (07/01/12 - 05/15/13), Dr. Sheri Noren Everts (Interim, 05/15/13 - 08/14/13), and Dr. Timothy Flanagan (08/15/13 - Current)		
Currently: Dr. Timothy Flanagan		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NEED TO IMPROVE CONTROLS OVER THE
FINANCIAL REPORTING OF INVESTMENTS**

The Illinois State University (University) did not exercise adequate internal control over the financial reporting of investments.

**University did not adjust its
investments to fair market value**

**University overstated investments
and investment income by
\$4,947,293**

During testing, the auditors noted the University did not adjust the University's book value of investments to reflect changes in each investment's fair market value at June 30, 2013. As a result, the University overstated investments and investment income by \$4,947,293. The auditors proposed an adjusting journal entry to the University to correct this error, which the University recorded in the financial statements.

According to University officials, the University did not include the premium and discount on securities due to oversight. (Finding 1, page 6 in the accompanying Report Required Under Government Auditing Standards For the Year Ended June 30, 2013)

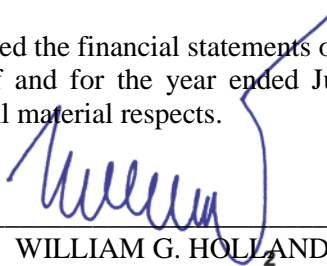
We recommended the University review and adjust investment balances to reflect fair market value changes, if any, to each investment's net position recorded in the University's financial records.

University officials agree

University officials agreed with the finding, indicating they will review balances and perform reconciliations to ensure the accuracy of market value adjustments.

AUDITORS' OPINION

Our auditors stated the financial statements of the Illinois State University as of and for the year ended June 30, 2013, are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:djn:rt

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were BKD, LLP.